

## Message Text

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ACTION OES-06

INFO OCT-01 ARA-06 EUR-12 IO-13 ISO-00 FEA-01 ACDA-07  
CIAE-00 INR-07 L-03 NSAE-00 NSC-05 EB-08 NRC-05  
DODE-00 ERDA-05 COME-00 TRSE-00 MC-02 OMB-01 PM-04  
H-01 PA-01 PRS-01 SP-02 SS-15 USIA-06 CIEP-01 /113 W  
-----151747Z 050448 /46

P 151620Z FEB 77  
FM AMEMBASSY BRASILIA  
TO SECSTATE WASHDC PRIORITY 093  
INFO AMEMBASSY BONN PRIORITY  
AMEMBASSY BUENOS AIRES  
USMISSION IAEA VIENNA  
USMISSION EC BRUSSELS  
AMCONSUL RIO DE JANEIRO  
AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 1 OF 2 BRASILIA 1228

E.O. 11652: GDS  
TAGS: TECH, ENRG, PARM, ETRD, BR, GW  
SUBJ: BRAZILIAN NUCLEAR DEBATE--APPARENT VIEW FROM THE PRESIDENTIAL  
PALACE

REF: BRASILIA 1179

1. SUMMARY. AN UNNAMED OFFICIAL AT THE PRESIDENTIAL PALACE,  
ACCORDING TO AN APPARENT PRESS BACKGROUNDER, SAID THE DEPUTY  
SECRETARY-DESIGNATE MIGHT SOON VISIT BRAZIL, BUT THE GOB'S  
PRESENT INTENTION IS TO DISCUSS ONLY THE GENERIC PROBLEM OF  
PROLIFERATION AND NOT SPECIFICALLY THE BRAZILIAN-WEST GERMAN  
AGREEMENT. THE OFFICIAL REPORTEDLY SAID BRAZIL WILL ACCEPT NO  
CHANGES IN THE AGREEMENT, AND IF ANY ARE MADE, BRAZIL WILL  
DENOUNCE THE AGREEMENT AND LOOK FOR A NEW NUCLEAR PARTNER  
ELSEWHERE. ACCORDING TO THE STORY, THE OFFICIAL DID NOT  
EXPECT THE U.S. TO RESORT TO ECONOMIC PRESSURES, BUT "WELL  
SITUATED ADVISORS" RECOGNIZED BRAZIL'S LIMITED CAPACITY FOR  
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RETALIATION, E.G., SWITCH OF SOURCING FOR MACHINERY IMPORTS. IN OUR  
JUDGMENT, THE BACKGROUNDER REVEALS WELL THE GOB'S KNOWN PENCHANT  
FOR VIEWING POLICY INSTRUMENTS IN WIDELY DIFFERENT FIELDS AS VALID  
ELEMENTS IN DIPLOMATIC TRADEOFFS. IT IS TOO EARLY, HOWEVER, TO  
ESTIMATE WHETHER BRAZIL WILL TRY TO USE ECONOMIC RETALIATION AS  
NEGOTIATING LEVERAGE. END SUMMARY.

2. THE FEB. 11 EDITION OF GAZETA MERCANTIL, BRAZIL'S LEADING BUSINESS AND FINANCIAL DAILY, CONTAINED A FRONT-PAGE STORY APPARENTLY BACKGROUNDED BY PRESIDENTIAL PALACE SOURCES. BEGIN TEXT OF GAZETA MERCANTIL STORY. "THE BRAZILIAN GOVERNMENT HAS BEEN INFORMED THAT A U.S. MISSION, POSSIBLY HEADED BY WARREN CHRISTOPHER, WHO IS NEGOTIATING WITH THE GERMANS, IS EXPECTED TO COME SHORTLY TO BRAZIL, ON A DATE NOT YET DETERMINED," A QUALIFIED PRESIDENTIAL ADVISOR REVEALED YESTERDAY TO THIS NEWSPAPER. BRAZIL'S DISPOSITION HOWEVER, CONTINUES TO BE NOT TO CONVERSE WITH THE U.S. SPECIFICALLY ABOUT THE NUCLEAR AGREEMENT WITH WEST GERMANY, THE ADVISOR ADDED.

3. IT WAS MADE KNOWN IN THE PRESIDENTIAL PALACE THAT THE BRAZILIAN GOVERNMENT COULD CONVERSE WITH THE U.S. IN A GENERIC WAY ABOUT THE NONPROLIFERATION OF NUCLEAR ARMS, BUT WOULD NOT AGREE TO DISCUSS WITH THE AMERICANS THE AGREEMENT SIGNED WITH WEST GERMANY. "IN ORDER TO DISCUSS THE NUCLEAR AGREEMENT WITH THE AMERICANS, WE WOULD HAVE TO CONVERSE ALSO WITH THE SOVIET UNION, WITH CHINA, WITH FRANCE, FOR EXAMPLE," SAID AN IMPORTANT PRESIDENTIAL ADVISOR.

4. THE BRAZILIAN POSITION HAS BEEN MAINTAINED UNALTERED UNTIL NOW. THE GOVERNMENT DOES NOT INTEND TO CEDE IN ANYTHING IN ITS CURRENT DISPOSITION TO IMPLEMENT THE AGREEMENT IN THE FORM IN WHICH IT WAS ORIGINALLY SIGNED. ON THE OTHER HAND, IT WAS ALSO MADE KNOWN IN THE PRESIDENTIAL PALACE THAT "BRAZIL WILL NOT ACCEPT REFORMULATIONS OR ADDITIONAL SAFEGUARDS IN THE CURRENT TREATY. IF IN ANY WAY THE NUCLEAR AGREEMENT IS MODIFIED, THE PRESENT BRAZILIAN INCLINATION IS TO DENOUNCE THE TREATY AND TO CONFIDENTIAL

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SEARCH FOR A NEW PARTNER TO DEVELOP BRAZIL'S NUCLEAR PROJECT," ASSURED A QUALIFIED INFORMANT.

5. AN IMPORTANT PRESIDENTIAL ADVISOR REVEALED, HOWEVER, THAT BRAZILIAN GOVERNMENT CALCULATIONS DO NOT FORESEE THAT THE U.S., IN SEEKING TO REACH ITS OBJECTIVES AGAINST THE NUCLEAR AGREEMENT, WILL EXERCISE ECONOMIC PRESSURES AGAINST BRAZIL. "THE BRAZILIAN POSITION IS SIMPLE: THERE EXISTS AN AGREEMENT SIGNED BY SOVEREIGN COUNTRIES. THERE ARE NO INDICATIONS THAT BRAZIL DESIRES TO FABRICATE ATOMIC DEVICES. AND, ON THE OTHER HAND, THE AGREEMENT WAS APPROVED BY THE IAEA. WE UNDERSTAND, THEREFORE, THAT WE ARE NOT EXPECTED TO SUBMIT OURSELVES TO ANY OTHER JUDGMENT." NEVERTHELESS, ADVISORS WELL SITUATED IN THE GOVERNMENT RECOGNIZE THAT BRAZIL'S CAPACITY FOR RETALIATION IS LIMITED, ALL HYPOTHESES BEING RESTRICTED TO A SWITCH OF MARKETS FOR THE PURCHASE OF MACHINERY AND EQUIPMENT.

6. "WE UNDERSTAND THAT U.S. INDUSTRIES DO NOT DESIRE TO LOSE A GOOD CLIENT, SUCH AS BRAZIL, WHICH RIGOROUSLY PAYS ITS DEBTS ON

TIME," ASSURED THE ADVISOR. BUT, IN ORDER TO AVOID PROBLEMS, THE BRAZILIAN AND GERMAN GOVERNMENTS HAVE BEEN INFORMING THEMSELVES RECIPROCALLY OF ALL THE STEPS WHICH ARE BEING TAKEN IN THE DIRECTION OF COUNTERING U.S. PRESSURE. "ACCORDING TO INFORMATION AVAILABLE IN THE BRAZILIAN GOVERNMENT, THE GERMANS DO NOT INTEND TO CEDE AND ARE WORKING SERIOUSLY IN THIS DIRECTION." AND IN THE PRESIDENTIAL PALACE IMPORTANT INFORMANTS NOTED THAT VARIOUS ITEMS IN THE AGREEMENT ALREADY ARE BEING IMPLEMENTED. "THERE ARE MORE THAN TWO HUNDRED BRAZILIANS IN GERMANY STUDYING NUCLEAR TECHNOLOGY, INCLUDING REPROCESSING. SOME GERMANS ALREADY ARE IN BRAZIL TO INITIATE WORKS WHICH ARE THEIR RESPONSIBILITY UNDER THE AGREEMENT. THIS SIGNIFIES THAT THE NUCLEAR AGREEMENT ALREADY IS FULLY UNDER WAY," ASSURED AN IMPORTANT SOURCE. END TEXT OF GAZETA MERCANTIL BACKGROUNDER.

7. COMMENT. THE OFFICIALS CITED IN THE UNUSUALLY SPECIFIC BACKGROUNDER COULD WELL INCLUDE HIGH-LEVEL PRESIDENTIAL CONFIDENTIAL

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PALACE FIGURES. IT IS UNCLEAR WHETHER THE DECISION TO GIVE THE BACKGROUNDER IS RELATED TO ANY POSSIBLE UPCOMING PRESIDENTIAL STATEMENT ON THE NUCLEAR ISSUE, AS HAS BEEN RUMORED IN THE PRESS.

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INFO OCT-01 ARA-06 EUR-12 IO-13 ISO-00 FEA-01 ACDA-07  
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DODE-00 ERDA-05 OMB-01 TRSE-00 COME-00 MC-02 PM-04  
H-01 PA-01 PRS-01 SP-02 SS-15 USIA-06 CIEP-01 /113 W  
-----151748Z 050505 /46

P 151620Z FEB 77  
FM AMEMBASSY BRASILIA  
TO SECSTATE WASHDC PRIORITY 094  
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USMISSION IAEA VIENNA  
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AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 2 OF 2 BRASILIA 1228

8. THE REAFFIRMATION THAT THE GOB DESIRES NOT TO TALK WITH THE U.S. ABOUT THE BRAZILIAN-GERMAN AGREEMENT HELPS MAKE THE GOB'S PUBLIC POSITION RIGID AND NARROW. IF THE GOB WERE TO DISCUSS THE AGREEMENT WITH THE U.S. AND THIS BECAME KNOWN, THE BRAZILIAN PRESS IMMEDIATELY WOULD CONCLUDE A BRAZILIAN RETREAT, REGARDLESS OF THE SUBSTANCE OR OUTCOME OF THE DISCUSSIONS. WE BELIEVE THE GEISEL ADMINISTRATION, INTENTIONALLY OR NOT, HAS EXCESSIVELY RESTRICTED ITS OWN ROOM FOR MANEUVER, THUS RAISING THE POLITICAL COST OF ANY FLEXIBILITY THE GOB MIGHT DESIRE AT A FUTURE DATE.

9. THE COMMENT ABOUT THE POSSIBLE USE OF ECONOMIC AND RETALIATION AS AN INSTRUMENT OF NEGOTIATING LEVERAGE IS CONSISTENT WITH BRAZILIAN THEORY AND PRACTICE. BRAZIL TENDS TO SEE TRADEOFFS BETWEEN WIDELY DIFFERENT NATIONAL OBJECTIVES AS USEFUL TO DIPLOMATIC STRATEGY. WE BELIEVE BRAZIL PERCEIVES THAT OTHER NATIONS UNDERSTAND THIS STRATEGY (ALTHOUGH BRAZIL MAY PERCEIVE THAT THE U.S. DOES NOT NORMALLY UTILIZE SO BROAD AN  
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APPROACH.). THUS, WE OCCASIONALLY HEAR THE LINE OF REASONING THAT THE U.S. WOULD NOT WANT TO UPSET BRAZIL ON THE NUCLEAR QUESTION IF IT WERE TO JEOPARDIZE OUR LARGE TRADE SURPLUS WITH BRAZIL, ESPECIALLY IN VIEW OF THE DOMESTIC POLITICAL POWER OF U.S. COMPANIES THAT VALUE THEIR BUSINESS WITH BRAZIL. THE IMPLICITY THREAT, OF COURSE, IS THAT BRAZIL COULD SWITCH IMPORT SOURCING AWAY FROM THE U.S. IT IS TOO EARLY, IN OUR JUDGMENT, TO ESTIMATE WHETHER BRAZIL WOULD IN FACT SEEK TO USE ECONOMIC RETALIATION AS A NEGOTIATING INSTRUMENT. MUCH DEPENDS ON THE EVOLUTION OF THE NEGOTIATIONS, AND OF WEST GERMANY'S ATTITUDES IN PARTICULAR. WHAT CAN BE SAID NOW IS THAT THE GOB IS PROBABLY GIVING SERIOUS CONSIDERATION TO THIS NEGOTIATING INSTRUMENT, AND THE GOB HAS THE IMPORT REGULATION MACHINERY IN PLACE TO IMPLEMENT TRADE DISCRIMINATION. ON THE OTHER HAND, THERE WOULD BE SUBSTANTIAL CAUTION ABOUT BEGINNING "ECONOMIC WARFARE" AGAINST THE U.S., WITH WHICH BRAZIL IS SO INTERDEPENDENT ECONOMICALLY AND STRATEGICALLY AND WHOSE REACTIONS COULD AFFECT BRAZILIAN BROAD INVESTMENT AND FINANCIAL INTERESTS.  
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## Message Attributes

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